1968 ANNUAL REPORT

The Dominion Citrus Company Limited

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The Dominion Citrus Company Limited

DIRECTORS

Jack Austin

Ben Blidner

Michael Blidner

Maurice Cohen

Harry Izen

Louis Kirshenblatt

Jack M. Roth

Harold Soupcoff

Louis E. Soupcoff

Arthur J. Thomas

OFFICERS

President	Michael Blidner
Vice-President	Jack Austin
Vice-President	Harold Soupcoff
Secretary-Treasurer	Louis E. Soupcoff

TRANSFER AGENT AND REGISTRAR

Canada Permanent Trust Company
Toronto, Ontario

AUDITORS

Starkman, Kraft, Rothman, Berger & Grill
Toronto, Ontario

BANKERS

Canadian Imperial Bank of Commerce
Toronto, Ontario

Toronto-Dominion Bank
Toronto, Ontario

HEAD OFFICE

Ontario Food Terminal
The Queensway
Toronto 18, Ontario

Dominion Citrus Company Limited and wholly-owned subsidiary

Financial Record

	8 Months Ended January 2, 1969	Pro Forma Earnings for 12 Months Ended April 30				
		1968	1967	1966	1965	1964
SALES	$7,915,799	$11,147,471	$10,202,612	$8,577,676	$7,597,847	$6,924,076
Earnings before income taxes	$ 385,051	$ 413,202	$ 361,547	$ 271,190	$ 198,947	$ 182,138
Income taxes	179,747	191,784	175,028	126,343	84,670	80,728
NET EARNINGS	$ 205,304	$ 221,418	$ 186,519	$ 144,847	$ 114,277	$ 101,410
EARNINGS PER SHARE	40.9¢	44.3¢	37.3¢	29.0¢	22.8¢	20.3¢

Jack Austin Pharmacy Limited, Et Al

Financial Record

	Pro Forma Earnings for 12 Months Ended December 31					
	1968	1967	1966	1965	1964	1963
SALES	$8,401,266	$ 6,140,399	$ 4,220,958	$2,665,837	$1,884,383	$1,326,169
Earnings before income taxes	$ 284,785	$ 233,470	$ 222,444	$ 203,954	$ 127,501	$ 87,864
Income taxes	142,000	111,254	105,520	95,906	56,150	35,539
NET EARNINGS	$ 142,785	$ 122,216	$ 116,924	$ 108,048	$ 71,351	$ 52,325

To the Shareholders of The Dominion Citrus Company Limited

We are indeed gratified to present this report of your Company's progress during 1968. It is most encouraging to note that the period was one of continued growth and rising sales and profits.

On January 2nd, 1969, Dominion Citrus Company Limited amalgamated with Jack Austin Pharmacy Limited, Nene Limited and Alwoodley Limited, and the name of your Company was changed to The Dominion Citrus Company Limited. The amalgamation was approved at a general meeting of shareholders held on December 24th, 1968.

At the same time, the year end of Dominion Citrus Company Limited was changed to December 31 in order to coincide with the year end of Jack Austin Drugs Limited. The statement of Dominion Citrus Company Limited, therefore, is for the 8-month period ended January 2, 1969 only. Earnings for this 8-month period were 40.9¢ per share compared to 44.3¢ per share in the 12-month period ended April 30th, 1968.

It is interesting to note that following the amalgamation the consolidated balance sheet shows that we have increased our working capital to $976,443 as compared with $158,040 on April 30, 1968.

Dominion Citrus Company Limited continues to expand. During the past year a larger volume and a greater variety of fruits and vegetables were imported, which enabled the Company to cater to the growing demands of new independent retail outlets in Metropolitan Toronto and region. A variety of fruits and vegetables was imported from Mexico which grows and exports some of the finest fruits and vegetables in the world. Our practice of importing the finest quality fruits and vegetables available has assured us of a large following of loyal customers.

Jack Austin Drugs Limited operates 24 drug departments in Woolco Department Stores which are owned and operated by F. W. Woolworth Co. Limited. By the end of 1969 your Company plans to operate 31 drug departments in Woolco Department Stores.

A second store will be opened in Winnipeg in June and an additional six new stores are planned for Ontario and Quebec this year.

New store opening expenses are written off from earnings in the year that stores are opened. This is a conservative practice which tends to slow the rate of growth of reported earnings from year to year while the business is expanding. All things being equal, this will result in higher reported earnings in the future than would otherwise be recorded.

We are forecasting a substantial increase in sales and profits for Jack Austin Drugs Limited for 1969.

Based upon Woolco's announcements of store openings, we expect to be operating drug departments in a total of 60 Woolco stores by the end of 1973. Practically all of the new Woolco stores will contain a minimum of 100,000 square feet and will provide parking facilities for 1,000 to 4,000 cars.

We are taking this opportunity to thank the management of F. W. Woolworth Co. Limited and Woolco Department Stores for giving us the opportunity of participating in the dynamic growth of their Woolco Department Stores.

We take a great deal of pride in our close relationship with our employees and we appreciate their continued goodwill, cooperation, and loyalty. Our staff, which is one of the youngest and most aggressive in the industry, has contributed greatly to the growth and strength of the Company.

Submitted on behalf of the Board.

M Blidner

M. Blidner, *President.*

Consolidated Balance Sheet

As at January 2, 1969 (After Amalgamation) (Note 1)

ASSETS

Current Assets		
Cash	$ 120,217	
Bank deposit receipt	100,000	
Accounts receivable, less allowance for doubtful accounts of $10,000	1,717,827	
Merchandise inventory, at lower of cost or net realizable value	2,101,308	
Prepaid expenses	14,563	
Marketable securities, quoted market value $243,463	229,539	$4,283,454
Fixed Assets, at cost		
Plant and equipment	$ 290,040	
Mobile equipment	247,614	
Leasehold improvements	42,035	
	$ 579,689	
Less: Accumulated depreciation and amortization	293,956	285,733
		$4,569,187

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities		
Bank indebtedness (Note 5)	$ 332,194	
Accounts payable	2,744,602	
Income taxes payable	230,215	$3,307,011
Long-Term Debt (Note 6)		
Loans payable		362,062
Total Liabilities		$3,669,073
Shareholders' Equity (Notes 1 and 2)		
Capital Stock		
Authorized		
1,500,000 shares without par value		
Issued and Fully Paid		
854,725 shares without par value	$ 127,057	
Retained Earnings	773,057	900,114
		$4,569,187

The accompanying notes are an integral part of this consolidated balance sheet.

Approved on behalf of the Board of Directors: M. BLIDNER, *Director* L. E. SOUPCOFF, *Director*

Notes to Consolidated Balance Sheet

January 2, 1969 (After Amalgamation)

1. Principles of Consolidation and Amalgamation

Pursuant to Letters Patent of Amalgamation dated January 2, 1969, The Dominion Citrus Company Limited (the Company) is the company continuing from the amalgamation of Dominion Citrus Company Limited with Jack Austin Pharmacy Limited, Alwoodley Limited and Nene Limited (Jack Austin, et al).

As a result of the amalgamation, Dominion Farm Produce Limited, which was previously wholly-owned by Dominion Citrus Company Limited, and Jack Austin Drugs Limited (formerly Elm Drugs Limited), Jack Austin Pharmacy (Alberta) Limited and Jack Austin Pharmacy (Saskatchewan) Limited, which were previously wholly-owned by Jack Austin, et al, became wholly-owned subsidiaries of the Company.

Shareholders' Equity of the Company is comprised as follows:

	No. of Shares	Paid-in Capital	Retained Earnings
Jack Austin Pharmacy Limited	140,000	$ 2,002	$153,562
Alwoodley Limited	175,000	100	193,304
Nene Limited	35,000	551	38,636
Jack Austin Drugs Limited			(5,058)
Jack Austin Pharmacy (Alberta) Limited			49,005
Jack Austin Pharmacy (Saskatchewan) Limited			3,569
	350,000	$ 2,653	$433,018
Dominion Citrus Company Limited and with respect to retained earnings, its wholly-owned subsidiary	504,725	124,404	340,039
	854,725	$127,057	$773,057

The consolidated balance sheet includes the accounts of:

Produce Division

Produce operations of The Dominion Citrus Company Limited
Dominion Farm Produce Limited

Drug Division

Jack Austin Drugs Limited
Fern Distributors (division of Jack Austin Drugs Limited)
Jack Austin Pharmacy (Alberta) Limited
Jack Austin Pharmacy (Saskatchewan) Limited

2. Employees' Stock Option Plan

As of January 2, 1969, options to purchase 18,875 shares in the capital of the Company were outstanding, exercisable at $4.50 per share from time to time until 1973 and 1,400 shares were reserved for future employees' stock options. To January 2, 1969, options to purchase 4,725 shares at $4.50 per share were exercised.

Subsequent to January 2, 1969 an additional 17,500 shares in the capital of the Company were reserved for allotment to employees.

3. Commitments Under Long-Term Leases

a) The Company has contracted to lease its warehouse and office premises in the Ontario Food Terminal Building for a period of 30 years ending June 30, 1984 at an annual rental of $13,650. The Company has the option to renew this lease for additional 30-year terms at a nominal rental of $1.00 per annum plus 1% of the operating and maintenance expenses of the building. The Company may terminate the lease or subsequent renewal at the expiration of either 10 or 20 years.

b) Dominion Farm Produce Limited leases the land on which its plant is built in Bradford, Ontario at an annual rental of $1,068. The lease is for five years ending February 28, 1970 and is renewable for three further 5-year periods. The rent for the renewal periods will be based on the greater of $1,068 or 6% of the then fair market value of the land.

c) The minimum total annual rentals payable by Jack Austin Drugs Limited under license agreements expiring in 1979 amounts to approximately $490,000 including certain occupancy costs (exclusive of additional rent payable based on a percentage of gross sales).

d) The minimum annual rental payable by Fern Distributors under a lease expiring in 1988 for head office and warehouse facilities amounts to $24,400 excluding certain occupancy costs.

4. Contingent Liabilities

The Company is contingently liable for:

a) Railway Guarantee Bonds in the amount of $66,000.

b) Outstanding Letters of Credit in the amount of $35,000.

c) Guarantees of other companies:

(i) lease expiring in 1981 at an annual rental of approximately $16,000 excluding certain occupancy costs.

(ii) lease expiring in 1983 at an annual rental of approximately $22,000 excluding certain occupancy costs.

d) Subsequent events include the opening of new drug stores which are in the normal course of business. It is management policy to write off the cost of new store openings in the year incurred.

5. Bank Indebtedness

Of this amount, $300,000 is secured by a general assignment of book debts.

6. Long-Term Debt

Long-term debt is comprised of the following loans payable:

Other corporations–10%–due June 30, 1970			$100,000
	– 8%	$ 52,996	
Shareholders	– 8%	209,066	262,062
			$362,062

The loans payable to shareholders and to other corporations totalling $262,062 are to be repaid over a five-year period commencing in 1970.

Auditors' Report

To the Shareholders of
The Dominion Citrus Company Limited

We have examined the consolidated balance sheet of The Dominion Citrus Company Limited and wholly-owned subsidiaries, as at January 2, 1969 (after amalgamation). Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet presents fairly the financial position of the companies as at January 2, 1969, in accordance with the provisions of the Letters Patent of Amalgamation dated January 2, 1969.

Toronto, Ontario
March 27, 1969

Starkman, Kraft, Rothman, Berger & Grill
Chartered Accountants

Consolidated Balance Sheet

As at January 2, 1969 (Prior to Amalgamation) (Note 10)

ASSETS

Current Assets		
Cash	$ 120,217	
Bank deposit receipt	100,000	
Accounts receivable, less allowance for doubtful accounts of $5,000	752,415	
Merchandise inventory, at lower of cost or net realizable value	266,976	
Prepaid expenses	7,403	
Marketable securities, quoted market value $243,463	229,539	$1,476,550
Loan Receivable—Fern Distributors—8%		150,000
Fixed Assets, at cost		
Plant and equipment	$ 207,314	
Mobile equipment	224,610	
Leasehold improvements	27,384	
	$ 459,308	
Less: Accumulated depreciation and amortization	258,044	201,264
		$1,827,814

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities		
Accounts payable	$1,190,784	
Income taxes payable	172,587	$1,363,371
Shareholders' Equity		
Capital Stock (Notes 2, 3 and 5)		
Authorized		
1,500,000 shares without par value		
Issued and Fully Paid		
504,725 shares without par value	$ 124,404	
Retained Earnings	340,039	464,443
		$1,827,814

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Board of Directors: M. BLIDNER, *Director* L. E. SOUPCOFF, *Director*

Consolidated Statement of Earnings

For the Period from May 1, 1968 to January 2, 1969

Sales		$7,915,799
Earnings From Operations Before the Following Charges		$ 396,368
Depreciation and amortization (Note 8)	$ 29,795	
Income taxes	179,747	209,542
Earnings From Operations		$ 186,826
Add: Gain on sale of marketable securities		18,478
Net Earnings for Period		$ 205,304
Earnings Per Share (based on weighted average of number of shares outstanding during period)		
From operations	37.2¢	
From gain on sale of securities	3.7¢	
Total Earnings Per Share	40.9¢	

Consolidated Statement of Retained Earnings

For the Period from May 1, 1968 to January 2, 1969

Retained Earnings—May 1, 1968	$ 134,735
Add: Net earnings for period	205,304
Retained Earnings—January 2, 1969	$ 340,039

Consolidated Statement of Source and Application of Funds

For the Period from May 1, 1968 to January 2, 1969

Working Capital—May 1, 1968			$ 158,040
Source of Funds			
Net earnings from operations		$186,826	
Add: Depreciation and amortization		29,795	
		$216,621	
Gain on sale of marketable securities		18,478	
Exercise of employees' stock options (Note 5)		21,263	
		$256,362	
Application of Funds			
Purchase of fixed assets	$ 30,676		
Payment of long-term portion of accrued management salaries	120,547		
Advances to Fern Distributors	150,000	301,223	
Decrease in Working Capital			44,861
Working Capital—January 2, 1969			$ 113,179

The accompanying notes are an integral part of these financial statements.

Notes to Consolidated Financial Statements

January 2, 1969 (Prior to Amalgamation)

1. Principles of Consolidation

The consolidated financial statements include the accounts of Dominion Citrus Company Limited and its wholly-owned subsidiary Dominion Farm Produce Limited.

2. By Supplementary Letters Patent dated August 21, 1968, the capital of the Company was reorganized as follows:

a) the cancellation of 640 unissued preference shares of $100.00 par value each.

b) the subdivision of the 500 issued and outstanding common shares without par value into 436,500 shares without par value.

c) the increase of the authorized capital of the Company to 1,500,000 shares without par value by the creation of 1,058,500 additional shares without par value ranking on a parity with the existing shares.

3. On August 22, 1968, the Company purchased all of the issued and outstanding shares of Dominion Farm Produce Limited by the issue of 63,500 shares, the consideration for the issue of which was fixed by the directors of the Company at $98,141.59, being an amount equal to the book value of the issued shares of Dominion Farm Produce Limited.

4. Due to the reorganization of the Company as outlined in Notes 2 and 3, prior financial information is not comparable and therefore is not provided.

5. Employees' Stock Option Plan

During the period ended January 2, 1969, (prior to amalgamation) 25,000 shares in the capital of the Company were reserved for allotment to employees. Options to purchase 23,600 of these shares were granted to certain employees of the Company, exercisable at $4.50 per share over a period of 5 years at a rate of 20% for each year. During the period ended January 2, 1969, (prior to amalgamation) options to purchase 4,725 of these shares were exercised. Subsequent to January 2, 1969, an additional 17,500 shares in the capital of the amalgamated Company (see Note 10) were reserved for allotment to employees.

6. Commitments Under Long-Term Leases

a) The Company has contracted to lease its warehouse and office premises in the Ontario Food Terminal Building for a period of 30 years ending June 30, 1984 at an annual rental of $13,650. The Company has the option to renew this lease for additional 30-year terms at a nominal rental of $1.00 per annum plus 1% of the operating and maintenance expenses of the building. The Company may terminate the lease or subsequent renewal at the expiration of either 10 or 20 years.

b) Dominion Farm Produce Limited leases the land on which its plant is built in Bradford, Ontario at an annual rental of $1,068. The lease is for 5 years ending February 28, 1970 and is renewable for three further 5-year periods. The rent for the renewal periods will be based on the greater of $1,068 or 6% of the then fair market value of the land.

7. Contingent Liabilities

The Company is contingently liable for

a) Railway Guarantee Bonds in the amount of $66,000.

b) Outstanding Letters of Credit in the amount of $35,000.

Subsequent to January 2, 1969, the Company became a guarantor of bank advances to Jack Austin Drugs Limited, which amounted to $300,000 at January 2, 1969.

8. Depreciation and Amortization

Depreciation and amortization have been computed in accordance with the maximum capital cost allowance rates allowed by the Income Tax Act.

9. Directors' Remuneration

Total remuneration paid during the period from May 1, 1968 to January 2, 1969 (prior to amalgamation), to directors and senior officers as defined by the Corporations Act (Ontario) amounted to $60,182.

10. Subsequent Event

By Letters Patent of Amalgamation dated January 2, 1969, the Company was amalgamated with Jack Austin Pharmacy Limited, Alwoodley Limited and Nene Limited to form The Dominion Citrus Company Limited. As a result of the amalgamation, Jack Austin Drugs Limited (formerly Elm Drugs Limited), Jack Austin Pharmacy (Alberta) Limited and Jack Austin Pharmacy (Saskatchewan) Limited, which were previously wholly-owned by Jack Austin Pharmacy Limited, Alwoodley Limited and Nene Limited, became wholly-owned subsidiaries of The Dominion Citrus Company Limited. An aggregate of 350,000 shares in the capital of The Dominion Citrus Company Limited were issued to the shareholders of Jack Austin Pharmacy Limited, Alwoodley Limited and Nene Limited and 504,725 shares in the capital of The Dominion Citrus Company Limited were issued to the shareholders of the Company.

11. Due to the amalgamation outlined in Note 10, these financial statements refer to the period ended January 2, 1969 (prior to amalgamation) (8 months). Subsequent fiscal periods will end on December 31.

Auditors' Report

To the Shareholders of
The Dominion Citrus Company Limited

We have examined the consolidated balance sheet of Dominion Citrus Company Limited and wholly-owned subsidiary, as at January 2, 1969 (prior to amalgamation), and the consolidated statements of earnings, retained earnings and source and application of funds for the period then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the consolidated financial position of the companies as at January 2, 1969 and the consolidated results of their operations and the source and application of their funds for the period then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
March 27, 1969

Starkman, Kraft, Rothman, Berger & Grill
Chartered Accountants

Combined Statement of Earnings (Note 1)

For the Year Ended December 31, 1968

(With Comparative Figures for the Five Years Ended December 31, 1967)

	1968	1967	1966	1965	1964	1963
Sales	$8,401,266	$6,140,399	$4,220,958	$2,665,837	$1,884,383	$1,326,169
Earnings from operations before the following	$ 233,549	$ 129,078	$ 96,839	$ 93,213	$ 92,345	$ 80,505
Depreciation and amortization (Note 2)	20,782	11,941	6,226	5,561	3,564	3,471
Income taxes	75,535	26,851	20,172	20,239	20,694	18,008
	96,317	38,792	26,398	25,800	24,258	21,479
Net Earnings	$ 137,232	$ 90,286	$ 70,441	$ 67,413	$ 68,087	$ 59,026

Pro Forma Consolidated Statement of Earnings (Notes 1 and 3)

For the Year Ended December 31, 1968

(With Comparative Figures for the Five Years Ended December 31, 1967)

	1968	1967	1966	1965	1964	1963
Earnings from Operations	$ 233,549	$ 129,078	$ 96,839	$ 93,213	$ 92,345	$ 80,505
Pro forma adjustments						
Management remuneration (Note 3 (a))	66,340	110,193	129,445	114,176	37,425	10,000
Other non-recurring expenses	5,678	6,140	2,386	2,126	1,295	830
PRO FORMA EARNINGS BEFORE THE FOLLOWING	305,567	245,411	228,670	209,515	131,065	91,335
Depreciation and amortization	20,782	11,941	6,226	5,561	3,564	3,471
PRO FORMA EARNINGS BEFORE INCOME TAXES	284,785	233,470	222,444	203,954	127,501	87,864
Income Taxes (Note 3 (b))	142,000	111,254	105,520	95,906	56,150	35,539
PRO FORMA ADJUSTED NET EARNINGS	$ 142,785	$ 122,216	$ 116,924	$ 108,048	$ 71,351	$ 52,325

Combined Statement of Retained Earnings (Note 1)

For the Year Ended December 31, 1968

(With Comparative Figures for the Five Years Ended December 31, 1967)

	1968	1967	1966	1965	1964	1963
Retained Earnings—beginning of year	$ 361,882	$ 276,279	$ 210,521	$ 149,784	$ 86,380	$ 27,354
Net earnings for year	137,232	90,286	70,441	67,413	68,087	59,026
	499,114	366,565	280,962	217,197	154,467	86,380
Dividends on common shares	26,834	4,683	4,683	4,683	4,683	
Stock dividends (Note 4)	22,729					
15% tax on undistributed income	4,011					
Incorporation expenses written off	2,522					
Goodwill written off	5,000					
Deficit of Jack Austin Pharmacy (Alberta) Limited at date of acquisition				1,993		
Excess of cost of investment in Jack Austin Drugs Limited over book value of net assets at date of acquisition	5,000					
	66,096	4,683	4,683	6,676	4,683	
Retained Earnings—end of year (Note 5)	$ 433,018	$ 361,882	$ 276,279	$ 210,521	$ 149,784	$ 86,380

The accompanying notes are an integral part of these financial statements.

Notes to Combined Statements

of Earnings and Retained Earnings and Pro Forma Consolidated Statement of Earnings

For the Year Ended December 31, 1968

1. Companies Included

The combined statements of earnings and retained earnings include the accounts of the following companies and partnership:

Jack Austin Pharmacy Limited

Alwoodley Limited

Nene Limited

Jack Austin Pharmacy Limited
(Operating Woolco Drug Department)

Fern Distributors

Jack Austin Pharmacy (Alberta) Limited
(Formerly Barshell Drugs Limited)

Jack Austin Pharmacy (Saskatchewan) Limited
(Formerly Woolco Drugs (Saskatchewan) Limited)

Jack Austin Drugs Limited
(Formerly Elm Drugs Limited)

2. Depreciation and Amortization

Depreciation and amortization have been computed in accordance with the maximum capital cost allowance rates allowed by the Income Tax Act.

3. Pro Forma Consolidated Statement of Earnings

The pro forma consolidated statement of earnings gives effect to the following adjustments:

a) the restatement of direct remuneration to management from the historical basis to that remuneration which is considered to be normal remuneration in:

1968	\$57,428	1965	\$39,130
1967	53,152	1964	35,555
1966	47,430	1963	32,330

b) Income taxes have been restated from the historical basis:
   i) to take into account the pro forma adjustments
   ii) to treat the combined companies as if they were associated under the Income Tax Act.

4. On December 18, 1968, Jack Austin Pharmacy Limited and Nene Limited filed elections and paid tax pursuant to Section 105(2) of the Income Tax Act with respect to the amount of \$26,740. On December 23, 1968, stock dividends totalling \$22,729 were declared by the issuance of 22,729 preference shares of the par value of \$1 each, all of which shares were redeemed on the same date.

5. As a result of the amalgamation with Dominion Citrus Company Limited on January 2, 1969, the shareholders of Jack Austin Pharmacy Limited, Alwoodley Limited and Nene Limited received 350,000 common shares of the capital stock of The Dominion Citrus Company Limited in consideration for their net equities at that date represented by:

Capital stock	\$ 2,653
Retained earnings	433,018
	\$435,671

Auditors' Report

To the Shareholders of
The Dominion Citrus Company Limited

We have examined the statements of combined earnings and retained earnings and the pro forma statement of consolidated earnings of Jack Austin Pharmacy Limited, et al, (Note 1) for the year ended December 31, 1968. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion:

a) the accompanying statements of combined earnings and retained earnings present fairly the results of operations of the companies for the year ended December 31, 1968;

b) the accompanying pro forma statement of consolidated earnings presents fairly the results of operations of the companies for the year ended December 31, 1968, after giving effect to the adjustments as set out in Note 3;

all in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
March 24, 1969

Starkman, Kraft, Rothman, Berger & Grill
Chartered Accountants